

AR32

Guardian Growth Fund Limited

Guardian Growth Fund Limited
48 Yonge Street,
Toronto 1, Ontario
Telephone 363-4942

Directors and Officers
James F. Cole
Alan Grieve, *Vice-President
and Secretary-Treasurer*
Norman J. Short, *President*
Murray M. Sinclair

Transfer Agent and Registrar
The Canada Trust Company,
110 Yonge Street,
Toronto 1, Ontario.

Banker and Custodian of Securities
The Canadian Imperial Bank
of Commerce,
7 King Street East,
Toronto 1, Ontario.

Auditors
Smith, Nixon & Co.,
372 Bay Street,
Toronto 1, Ontario.

Legal Counsel
Day, Wilson, Campbell
250 University Avenue,
Toronto 1, Ontario.

Annual Report 1967

To the Shareholders

The year 1967 was an interesting one. Overall stock markets in Canada and the U.S. were strong in the first two quarters, flattened out in the summer, suffered a modest decline during September and October, and recovered part of this loss in the last two months of the year. Over the twelve month period, the Canadian market advanced by 10%; the U.S. market, as measured by the Dow-Jones Industrial average, rose by 15%. Guardian Growth Fund in 1967 achieved a gain in net asset value per share of 70%. The changes in values quarter by quarter are tabulated below: —

	Guardian Growth		Toronto Industrials		Dow-Jones Industrials	
	Value	Change	Index	Change	Average	Change
Jan. 1	\$4.78		147.63		785.52	
Mar. 31	5.72	+19%	165.09	+12%	865.98	+10%
June 30	7.05	+23%	164.54	— ½%	860.26	— 1%
Sept. 30	7.76	+10%	168.72	+ 3%	926.66	+ 7%
Dec. 31	8.15	+ 5%	162.28	— 4%	905.11	— 2%
Year 1967		+70%		+10%		+15%

Stocks which made a significant contribution to the growth in Guardian's per share value in 1967 included Medicenters of America, I.T.L. Industries, Farrington Manufacturing, Levy Industries and Harvey's Foods.

Shareholders may be interested in the "life cycle" of a typical investment made by Guardian Growth Fund. A recent example is California Computer Products Inc. Your management has been interested for some years in the computer industry, because of the rapid growth in all phases of it. Guardian has for some time held shares or convertible debentures in Recognition Equipment Inc., a manufacturer of optical character recognition equipment, and also in Farrington Manufacturing which makes similar, but less expensive and less broadly capable "optical readers".

Just as input of information to computers is a problem area, so also is the output of the results of the computer's work. Most people are now familiar with the many sheets of closely typed information which computers produce, and which then have to be analysed by people. Your management first heard of California Computer Products as a result of one of the company's advertisements which described the product range. This was composed of a number of different machines each of which could be directly connected to a computer, and which would then produce a chart or graph of selected items of the

computer's output. This seemed like an interesting product with considerable potential; steps were therefore taken to obtain the company's recent financial reports, a prospectus of an earlier issue of shares, and the catalogue of products.

When these had been received and studied, it became clear that "Cal-Comp" shares were quite reasonably priced in relation to past results and existing growth trends. Contacts with knowledgeable investment dealers produced no negative information. Most felt that the company was the leader in its particular field, but was rather too small for them to pay much attention to. Guardian purchased its initial shares at about \$12 per share (adjusted for splits). This represented a price of about thirty times latest reported earnings, but less than twenty times estimated earnings for the fiscal year ended June 30th, 1967.

One of your directors visited the company in California soon after the initial purchase. It was clear to him that the company was very well managed, highly regarded by most people in the computer industry, and that business and new orders were rising rapidly. Guardian's position was increased at about \$20 per share.

Cal-Comp's shares became much more widely known and more popular during the course of 1967; they also benefitted from general strength in the shares of companies in the computer industry. Earnings continued to rise, but the price rose more rapidly — the price to earnings multiple therefore increased. The shares reached a high of nearly \$50, four times Guardian's initial purchase price. Fundamental developments, however, became somewhat less favourable. From regular personal visits, and by means of telephone calls, it became apparent that estimated sales growth was slowing down somewhat. Costs also were rising, in particular sales costs, and these were not proving immediately productive. Guardian sold a portion of its holding.

Subsequently, the main competition was acquired by a very aggressive organization called University Computing, whose shares Guardian also holds. Cal-Comp's shares became less buoyant, and sales and earnings estimates were again reduced. Towards the end of 1967, and in early 1968, the remaining portion of Guardian's holding was sold. California Computer Products continues, however, to be an ably managed and interesting company in a dynamic industry. It is quite possible that Guardian will again in the future become a shareholder of the company.

This procedural example describes your management's basic operating method. The underlying principles continue to be concentration of

investment in relatively few securities where the outlook in the immediate and intermediate future is good; concentration of research by following this limited group of companies as closely as possible; and concentration of management in a small group who meet regularly and who can act speedily and decisively whenever new factors make this desirable.

This management group is greatly assisted by John Bak, a financial analyst who works full time for Guardian; and by Suzanne Loewen who covers certain industries and companies for the Fund. Your management has also benefitted from the expert knowledge of Mr. Raymond Frankel of Technological Investors Management Inc. in New York, and from the valuable counsel of the Ontario Research Foundation.

Shareholders have received a letter announcing your management's decision to stop selling new treasury shares of the Fund in Canada after April 19th, 1968. This decision does not alter, in any way, the position of existing shareholders. Guardian's shares will continue to be redeemable, as laid out in the current prospectus, at the net asset value per share. This provision completely eliminates any possibility of a closed-end fund discount. It is possible that outstanding shares, after April 19th 1968, may trade at a modest premium over the current net asset value.

Management policies and philosophy will remain unchanged. It is your management's basic goal to produce growth in per share net asset value. No change will be made in any of Guardian's by-laws or prospectus provisions without shareholder approval at a Special General Meeting. No change is proposed in any of these by-laws or provisions except the change in management fee to a performance-bonus type fee, which will be discussed at the annual and Special General Meeting in March.

Your management believes that it is in Guardian's shareholders interests that sale of shares should cease in April. It was never your management's desire to run the biggest fund in the world — only the best. We intend to do all we can to make it so.

The Annual and Special General Meeting will be held in the Roof Garden, Royal York Hotel, Toronto, Wednesday April 3rd, at 8.00 p.m. The agenda is enclosed with this report. Your directors look forward to seeing as many shareholders as possible at this meeting.

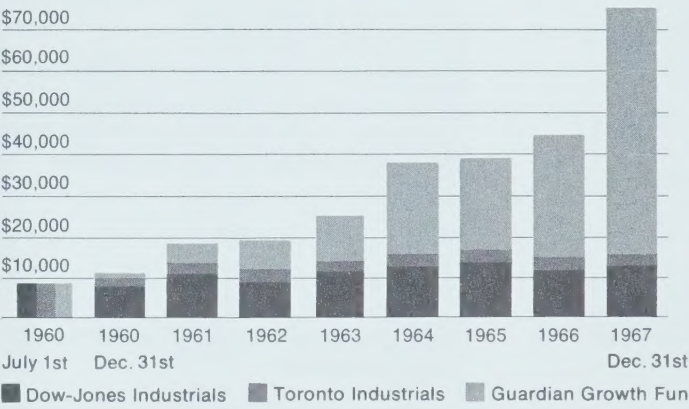
Yours sincerely

Norman Short
On behalf of the Board



Performance Record

Guardian Growth Fund was started on July 1st, 1960. Shareholders may be interested in the record of growth in value of an investment of \$10,000 on July 1st, 1960, less an 8½% sales commission. This growth record is depicted graphically below, together with the comparative record of the Canadian and U.S. market indices.



Between July 1st, 1960 and December 31st, 1967, Guardian Growth Fund's net asset value per share rose from \$1.00 to \$8.15 for a gain of 715%. In the same period, the Toronto Stock Exchange Industrial index rose from 99.22 to 162.28 for a gain of 64%, and the Dow-Jones Industrial average rose from 638.38 to 905.11 for a gain of 42%. Guardian's per share value has been able to outperform the index in years of good markets. In 1962 and 1966, years of significant decline in the market as a whole, Guardian Growth Fund achieved gains in per share net asset value of 1% and 11% respectively.

The table below shows the theoretical result of a regular monthly savings plan of \$100 per Month started on July 1st, 1960 and continued to December 31st, 1967.

Date	Cumulative Deposits	Shares Owned	Total Value
December 1960	\$ 606	508	\$ 564
December 1962	\$3,030	1,714	\$ 3,736
December 1964	\$5,454	2,463	\$10,246
December 1966	\$7,878	2,963	\$14,163
December 1967	\$9,090	3,131	\$25,488

Investment dealers who use the facilities of Capital Accumulation Plan Limited (C.A.P.), in London, Ontario, can arrange for clients to initiate a monthly savings plan to be invested in Guardian.

Balance Sheet as at 31st December 1967

(With comparative figures for 1966)

		1967	1966
Assets	Cash in bank	802,053	104,180
	Bank deposit receipts	—	500,000
	Government of Canada treasury bills — at cost, plus accrued interest (equivalent to market value)	4,990,000	—
	Investments — at market value (average cost — 1967 — \$8,968,683; 1966 — \$2,310,137)	12,379,175	2,664,470
	Due from brokers on sale of investments	40,580	2,297
	Receivable on sale of company's preference shares	899,542	72,262
	Dividends receivable and accrued interest	31,976	10,013
		<u>19,143,326</u>	<u>3,353,222</u>
Liabilities	Due to brokers on purchase of investments	422,516	48,014
	Accrued liabilities	7,405	9,508
		<u>429,921</u>	<u>57,522</u>
	Shareholders' equity — at market — equivalent to \$8.15 per share (1966 — \$4.78 per share)	<u>\$18,713,405</u>	<u>\$3,295,700</u>
Shareholders' Equity	Capital stock: (Notes 1 and 2)	Shares 1967	Shares 1966
	Fully participating redeemable preference shares with a par value of 20c each		
	Authorized less redeemed	<u>4,946,287</u>	<u>1,853,614</u>
	Outstanding	<u>2,290,487</u>	<u>685,416</u>
			458,097
	Common shares with a par value of 20c each		
	Authorized	<u>50,000</u>	<u>50,000</u>
	Outstanding	<u>4,500</u>	<u>900</u>
			137,983
	Capital redemption reserve		14,871,658
	Unrealized appreciation of investments		3,410,492
	Earned surplus (deficit)		(27,742)
	Total shareholders' equity		<u>\$18,713,405</u>

Approved on behalf of the Board: Norman J. Short, Director; James F. Cole, Director

Statement of Investments as at 31st December 1967

		Number of Shares or Par Value of Debentures	Average Cost	Market Value
<i>Notes:</i>				
	(A) Cost of U.S. securities includes exchange at time of purchase;			
(B) Market value of U.S. securities includes exchange at the official closing rate on 31st December 1967.				
	Medicenters of America	36,000	419,068	1,467,720
	I.T.L. Industries	47,325	479,995	887,340
	Harvey Aluminum — Conv. debts. 5½% 1991	(U.S.) \$ 350,000	595,041	756,000
	Denison Mines	7,500	364,376	618,750
	Famous Schools Overseas — Conv. debts. 5¾% 1982	(U.S.) \$ 400,000	475,648	561,600
	Kershaw and Sons	11,000	456,345	557,700
	Allied Stores — Conv. debts. 4½% 1981	(U.S.) \$ 360,000	501,616	513,216
	Hi Shear Corporation	10,000	455,949	491,400
	Famous Players	10,000	412,063	415,000
	Sangamo Electric	8,000	278,917	408,240
	Farrington Manufacturing	15,000	190,791	396,900
	Levy Industries	10,000	259,016	365,000
	Communications Satellite	6,000	319,079	320,760
	Chrysler Corporation	5,000	270,647	303,750
	Wardair Canada	50,000	256,375	287,500
	Wyman — Gordon	875	283,105	269,325
	Versatile Manufacturing — Class A and Common	23,600	244,277	262,625
	Versafood Services	20,000	176,733	235,000
	Harvey Aluminum — Class A	4,000	221,064	233,280
	Broadway Hale Stores	3,600	204,917	219,672
	Harvey's Foods	11,500	71,170	207,000
	Bramalea Consolidated Developments	12,600	184,297	190,575
	French Petroleum	25,500	168,038	186,150
	National Patent Development	2,000	146,507	184,680
	Financial Collection Agencies	12,700	153,739	177,800
	Denny's Restaurants	1,750	39,224	177,660
	University Computing	1,500	55,414	163,620
	Information Development — Capital note 6% 1972	(U.S.) \$ 150,000	161,906	162,000
	Scope	2,000	93,766	140,400
	Recognition Equipment — Conv. debts. 5¾% 1981	(U.S.) \$ 50,000	50,727	126,900
	Industrial Minerals	10,000	113,125	125,000
	Newconex Holdings	20,000	109,350	125,000
	Computing and Software	2,000	118,080	121,500
	Handleman	2,000	109,731	113,940
	Westland Aircraft	50,000	126,524	107,500
	Miscellaneous holdings		402,063	498,672
			<u>\$8,968,683</u>	<u>\$12,379,175</u>

Statement of Income and Expenses for the year ended 31st December 1967

(With comparative figures for 1966)

Auditors' Report to the Shareholders

We have examined the balance sheet and statement of investments of Guardian Growth Fund Limited as at 31st December 1967 and the statements of income and expenses, capital redemption reserve, unrealized appreciation of investments and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and expenses, capital redemption reserve, unrealized appreciation of investments and deficit, when read in conjunction with the notes appended thereto, present fairly the financial position of the company as at 31st December 1967 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the accompanying statement of investments as at 31st December 1967, presents fairly the information it purports to show.

Toronto, 23rd February 1968

Smith, Nixon & Co.
Chartered Accountants

Income	1967	1966
Dividends	\$ 58,153	34,544
Interest	<u>127,117</u>	<u>29,701</u>
	185,270	64,245
Less: Interest expense	<u>154</u>	<u>2,597</u>
	185,116	61,648
Less: Withholding taxes on foreign income	<u>13,516</u>	<u>2,663</u>
	<u>171,600</u>	<u>58,985</u>

Expenses

Management fee	336,078	52,219
Bank charges	4,029	1,865
Audit	2,655	1,210
Legal	3,752	1,281
Office and printing	7,967	5,015
Registration fees and taxes	4,870	383
Transfer agent's fees and expenses	10,425	2,096
Miscellaneous	<u>4,492</u>	<u>1,845</u>
	<u>374,268</u>	<u>65,914</u>

Excess of expenses over income before charging 50% of management fee to capital redemption reserve	(202,668)	(6,929)
50% of management fee charged to capital redemption reserve (Note 3)	<u>168,039</u>	<u>26,109</u>
Excess of income over expenses (expenses over income) transferred to earned surplus (deficit)	<u>(\$34,629)</u>	<u>\$19,180</u>

Notes to financial statements
for the year
ended 31st December 1967

(A) The preference shares, which confer the right to one vote per share, are redeemable at the option of the holder at 100% of the net asset value per share, up to the amount available in the capital redemption reserve.
(B) The common shares confer the right to twenty votes per share.

By supplementary letters patent dated 7th September 1967, 3,182,397 preference shares of a par value of 20¢ each were created to increase the authorized preference stock to 5,000,000 shares, 53,713 of which have been redeemed.

It is the policy of the company to charge one-half of the management fee against income and one-half against principal for the reason that both the production of income and the management of principal are investment management functions.

**Statement of capital redemption reserve
for the year ended 31st December 1967**
(With comparative figures for 1966)

	1967	1966
Balance at beginning of year	2,796,497	2,158,016
Add: Proceeds from sale of preference shares, less 20¢ per share credited to capital stock (1,694,795 shares in 1967; 177,680 shares in 1966)	11,823,744	775,162
Profit realized on sale of investments	1,042,427	379,846
	<u>15,662,668</u>	<u>3,313,024</u>
Deduct: Redemption value of preference shares redeemed (89,724 shares in 1967; 111,345 shares in 1966)	640,916	512,687
Less: 20¢ per share charged to capital stock	17,945	22,269
	<u>622,971</u>	<u>490,418</u>
One-half of management fee (Note 3)	168,039	26,109
	<u>791,010</u>	<u>516,527</u>
Balance at end of year	<u>\$14,871,658</u>	<u>\$2,796,497</u>

**Statement of unrealized appreciation
of investments for the year ended
31st December 1967**
(With comparative figures for 1966)

Balance at beginning of year	354,333	415,593
Increase (Decrease) for the year	3,056,159	(61,260)
Balance at end of year	<u>\$ 3,410,492</u>	<u>\$ 354,333</u>

**Statement of Deficit
for the year ended 31st December 1967**
(With comparative figures for 1966)

Surplus (deficit) at beginning of year	6,887	(12,293)
Excess of income over expenses (expenses over income) for the year	(34,629)	19,180
Surplus (deficit) at end of year	<u>(\$ 27,742)</u>	<u>\$ 6,887</u>

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June 30/1967

Guardian
Growth
Fund
Limited
Quarterly
Report

File



Guardian Growth Fund Limited

Basic Aim The aim of the Fund is to provide a means of investment for that portion of an individual's portfolio which looks towards above average capital gains. In the purchase of securities, consideration is given first to growth of capital, with due regard to safety of principal and income.

Quarterly Report June 30 1967

	Value	Percent Change Since		
	June 30, 1967	Mar. 31, 1967	Dec. 31, 1966	June 30, 1966
<hr/> Guardian Growth Fund				
Net Asset Value per Share	\$ 7.05	+ 23%	+ 47%	+ 43%
<hr/> Toronto Industrials				
	164.54	- 1/2%	+ 11%	+ 2%
<hr/> Dow-Jones Industrials				
	860.26	- 1%	+ 10%	- 1%

To the Shareholder

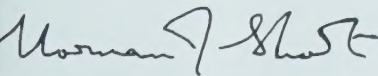
During the second quarter of 1967, Guardian Growth Fund's net asset value per share increased by 23%. This result was achieved in spite of lack of progress by the broad market indices. Stock markets continue to show unusual selectivity as a result of the somewhat clouded outlook for the G.N.P. and therefore for companies primarily dependent on it. At the same time, certain industries and companies continue to benefit from, or to create for themselves, unusually favourable marketing conditions. It is the intention of your management to attempt to continue to concentrate assets in these more favourable areas.

Since the last quarterly report, total assets have shown a significant increase both as a result of gains in per share value and also as a result of further sales of shares. Your management has increased Guardian's holdings in Denison Mines, Medicenters of America, California Computer Products, Kershaw and Harvey Aluminum. New investments have been made in Harveys Foods, Levy Industries and Industrial Minerals in Canada; in the U.S. market, your management has purchased shares of Sangamo Electric Company and of Farrington Manufacturing Company.

From time to time shareholders of Guardian comment to your management that the names of many of Guardian's holdings are unfamiliar to them. While there is no virtue in obscurity for its own sake, this is probably on balance good. When the name of a rapidly growing company is well known, and the stock's performance widely commented upon, the situation is to some extent exploited. The ideal growth investment is the leading company in a rapidly growing industry, but one which has not particularly caught the investing public's eye. Your management continues to seek out such investment opportunities.

On behalf of the Board,

Yours sincerely,

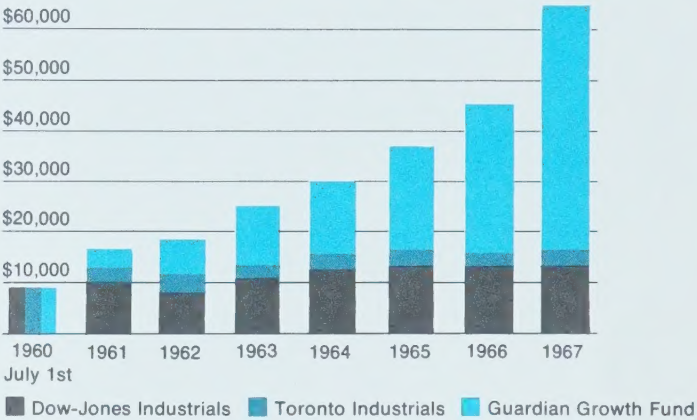


Norman Short

July 2nd, 1967

Performance Record

On July 1st, 1967, Guardian Growth Fund had been in existence for seven years. Shareholders may be interested in the record of growth in value of an investment of \$10,000 on July 1st, 1960, less an 8½% sales commission. This growth record is depicted graphically below, together with the comparative record of the Canadian and U.S. market indices.



Between July 1st, 1960, and June 30th, 1967, Guardian Growth Fund's net asset value per share rose from \$1.00 to \$7.05 for a gain of 605%. In the same period, the Toronto Stock Exchange Industrial Index rose from 99.22 to 164.54 for a gain of 66%, and the Dow-Jones Industrial average rose from 638.38 to 860.26 for a gain of 35%. Guardian's per share value has been able to outperform the index in years of good markets. In 1962 and 1966, years of significant decline in the market as a whole, Guardian Growth Fund achieved gains in per share net asset value of 1% and 11% respectively.

The table below shows the theoretical result of a regular monthly savings plan of \$100 per month started on July 1st 1960 and continued to June 30th 1967.

Date	Cumulative Deposits	Shares Owned	Total Value
December 1960	\$ 606	508	\$ 564
December 1962	\$3,030	1,714	\$ 3,736
December 1964	\$5,454	2,463	\$10,246
December 1966	\$7,878	2,963	\$14,163
June 30 1967	\$8,484	3,058	\$21,556

Investment dealers who use the facilities of Capital Accumulation Plan Limited (C.A.P.) in London, Ontario, can arrange for clients to initiate a monthly savings plan to be invested in Guardian.

Major Holdings

June 30/1967

Shares Held	Name	Market Value
19,000	Medicenters of America	\$1,028,000
7,500	Denison Mines	560,625
5,600	California Computer Products	525,000
7,000	Velcro Industries	504,000
25,000	Farrington Manufacturing Co.	428,000
12,000	I.T.L. Industries	400,500
\$250,000	Harvey Aluminum-conv. debs.	369,000
6,000	Kershaw	285,000
7,500	Sangamo Electric Co.	276,000
5,000	Versatile Manufacturing	207,500
\$106,000	Recognition Equipment debs.	176,500
3,000	Stanley Warner	172,000
10,000	Industrial Minerals	137,500
4,000	Selrex Corporation	125,000
2,000	Lorillard Co.	124,200
1,200	Fairchild Camera & Instrument	118,800
5,000	Levy Industries	101,250
7,200	Pacific Western Airlines	98,100
1,750	Denny's Restaurants	94,500
15,000	Newconex Holdings	84,000
10,000	Harvey's Foods	82,500
\$50,000	Collins Radio-conv. debs.	80,400
2,500	Thomson Newspapers	75,315
3,000	Robert Morse B	73,500
	Other Holdings	426,370
	Cash and Bank Deposits	1,255,711
	Total Net Assets	\$7,809,271

Brief Description

of Major Holdings

Medicenters of America builder, operator and franchiser of intermediate care facilities which operate in conjunction with hospitals; sponsored by the Holiday Inns of America management.

Denison Mines leading uranium producer with large reserves and low costs.

California Computer Products leading producer of plotters which draw charts directly from computer output.

Velcro Industries producer of a unique burr-like fastener in various materials whose sales continue to grow at a very rapid rate.

Farrington Manufacturing leading independent producer of computer optical character recognition input devices and credit card imprinters.

I.T.L. Industries leading North American manufacturer of high precision moulds for plastic products, also a custom moulder and inventor of the recently publicised "Palm-'n-Turn" safety bottle cap.

Harvey Aluminum major integrated aluminum producer and fabricator with new low-cost facilities.

Kershaw the most direct way of participating in the growth of Rank-Xerox, the company which makes and sells Xerox office copying products outside North and South America.

Sangamo major U.S. producer of tele-communications equipment and electric utility components.

Versatile Manufacturing fast growing manufacturer of strong, ingenious and economical farm equipment, including a tractor of original design.

Recognition Equipment producer of a higher-priced optical character recognition device.

Stanley-Warner producer of Playtex products.

Industrial Minerals major Canadian producer of industrial minerals, including silica, a component for making glass.

Sel-Rex producer of gold compounds for use in electronic industries and for push button telephones.

Lorillard U.S. cigarette producer which is attempting to merge with Schenley Distillers.

Fairchild Camera major U.S. producer of integrated circuits used in computers and television sets.